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ARIZONA CORPORATION COMMISSION

2009 JUL 24 P 2: 52

ALL CORP COMMISSION  
DOCKET CONTROL

July 24, 2009

Arizona Corporation Commission

DOCKETED

JUL 24 2009

Lawrence V. Robertson, Jr.  
P. O. Box 1448  
Tubac, Arizona 85646

DOCKETED BY

A handwritten signature in black ink, appearing to be "MWT", written over a rectangular box.

RE: Tierra Linda Homeowners Association, Inc. and Gary Smyth – Joint Application for authorization to sell water system assets and transfer Certificate of Convenience and Necessity to Gary Smyth Docket Nos. W-20689A-09-0327 and W-04236A-09-0327  
INSUFFICIENCY LETTER

Dear Mr. Robertson:

In reference to the above mentioned application filed on June 26, 2009, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. According to the Appendix "E" of the Application, Pima County Franchise is not required because the "water system is located in recorded plat dedicated easements on private property". Please provide a letter from Pima County stating that Franchise is not required. If not, please provide a copy of the transfer of Pima County Franchise from the Transferor to the Transferee. If the franchise agreement has not been issued, please inform Staff of the status of the application for the franchise agreement.
2. Please provide the name and ADEQ certification number of the person who will be the certified operator of the Tierra Linda water system upon the completion of the transfer.
3. Gary Smyth (the Buyer) currently owns and is operating Lakewood Estates Water Company. Please provide the name and ADEQ certification number of the person who is the certified operator of the Lakewood Estates water system.
4. Describe any change to the operation and maintenance of the Tierra Linda water system that will occur if the proposed transfer is approved.
5. Describe in detail any benefits that will be realized by customers if the proposed transfer is approved.
6. Please provide a complete listing of Tierra Linda's assets. On the list provided indicate those assets if there are any that would not be transferred to the Buyer.
7. In the Asset Purchase Agreement (Agreement), the Buyer agrees to Construct a second well to provide water service to residents of the Tierra Linda Nueva Subdivision (Subdivision) prior to occupancy of fifty percent of platted lots within the Subdivision (see Section 6.2.4). Explain why the construction of a second well and its timing are conditions of the Agreement? Is there an existing or potential problem with capacity, water quality and/or service quality?
8. List and estimate the cost of any upgrades needed to the Tierra Linda water system.

9. Please explain how the proposed transfer will facilitate completion of the upgrades listed in the Company's response to the previous question.
10. Staff has received an ADWR Compliance status report for Lakewood Estates that indicates the Company has failed to file its 2007 and 2008 Water Withdrawal and Use Reports. Describe what action the Buyer is taking to bring Lakewood Estates into compliance with ADWR reporting requirements?
11. As a public service corporation in Arizona, the Company is required to file an annual report with the Arizona Corporation Commission pursuant to A.R.S. Section 40-204. As of July 24, 2009, the Utilities Division's record still shows that Lakewood Estates Water Company has not filed its 2008 Commission Annual Report. What is the reason for the delay in filing and when does the Company plan to file its report? If you have any questions please contact Renee De La Fuente at 602-364-0706 to resolve this issue.
12. Tierra Linda filed an incomplete water use data sheet in its 2008 Commission Annual Report. Please provide a revised water use data sheet which includes the monthly gallons pumped data for 2008.

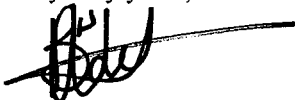
Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

**Please file your response to this Insufficiency Letter with Docket Control.**

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 or Del Smith at 602-542-7277.

Very truly yours,



Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
ConnieWalczak